

No part of the candidate evidence in this exemplar material may be presented in an external assessment for the purpose of gaining credits towards an NCEA qualification.

3

91406



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD  
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

SUPERVISOR'S USE ONLY

## Level 3 Accounting, 2015

### 91406 Demonstrate understanding of company financial statement preparation

2.00 p.m. Monday 30 November 2015  
Credits: Five

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of company financial statement preparation.	Demonstrate in-depth understanding of company financial statement preparation.	Demonstrate comprehensive understanding of company financial statement preparation.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL parts of all questions in this booklet.

Pull out Resource Booklet 91406R from the centre of this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–12 in the correct order and that none of these pages is blank.

**YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.**

**Achievement**

**TOTAL**

**12**

ASSESSOR'S USE ONLY



QUESTION ONE

(a) *Fashnz Limited*, a supplier of designer clothing, has the following equity account balances on 1 April 2014.

Contributed equity (400 000 fully paid shares)	1 280 000
Retained earnings	230 000

Prepare the General Journal entry to record the payment of the 2014 final dividend of 12 cents per share on 15 May 2014 by *Fashnz Limited*.

*Fashnz Limited*  
General Journal

15/5/2014	Final dividends on 15 May 2014	4800	
	Bank		4800
	Payment of 2014 final dividend		

(b) The General Journal entry below shows the repurchase of shares by *Fashnz Limited* at a fair value of \$5 per share.

*Fashnz Limited*  
General Journal

19/8/2014	Contributed equity	32 000	
	Retained earnings	18 000	
	Bank		50 000

Explain the effects of this transaction on both the contributed equity and retained earnings ledger accounts. In your answer, explain how the figures were calculated, including the number of shares repurchased by *Fashnz Limited*.

This would decrease contributed equity by \$32 000 as it is a debit resulting contributed equity of \$128 000. Also this would decrease retained earnings by \$18 000 as it is debit resulting retained earnings of \$212 000. This all have happened because share has repurchased which means decreases the amount of share. Therefore, the value of contributed Equity and retained earnings decreases.

(c) On 1 September 2014, *Fashnz Limited* employed a share broker to manage offering the public 100 000 shares in the company at \$6 per share. On 1 October 2014, the share broker issued the 100 000 shares, and the net proceeds of the share issue were given to *Fashnz Limited*, after deducting 5% for brokerage fees.

Prepare the journal entry to record this transaction.

*Fashnz Limited*  
General Journal

1/10/2014	Bank	570 000	
	Contributed Equity		570 000
	Net proceeds of share issue received from share broker		



- 5

**This page has been deliberately left blank.**  
**The examination continues on the following page.**

C  
I  
I  
I

UN  
22  
ms

- $\frac{3}{5} / 1$

## Accounting 91406, 2015

1/4/2014	Balance			230 000	CR
	Profit <u>after</u> tax		37000	<del>37000</del> 60000	CR
	Interim dividend	73500		52650	CR
	Final dividend	4000		47650	CR
	Share repurchased	1000		46650	CR

- (ii) Complete the Shareholders' equity section of the Statement of Financial Position (extract) as at 31 March 2015, using the additional information above, and other relevant information from (a), (b), and (c).

## Accounting 91406, 2015

Shareholders' equity	
Contributed equity	50000
Share repurchase	(32000)
Share issued	570000
	660000



## QUESTION TWO

Refer to Resource A in Resource Booklet 91406R.

- (a) Prepare Green's Green Waste Collection Limited Statement of Cash Flows for the year ended 31 March 2015 on the next page.

Note:

- The company did not undertake any investing activities during the year.
- Show your working, which may be marked.

## WORKING

ACR		Rent Received	
15900	$x$	<del>11500</del>	<del>11500</del>
500	12000	<del>11500</del>	<del>11500</del>
16400	<del>12000</del> 3800		
$x = 3800$			
IV (Inventories)		AP	
59000	AP 11900	11900	2400
120000	6000	<del>11900</del>	2000
179000	179000	27200	$x = 11500$
			11200
Trade Payable		OE	
6000	1000	115575	$200 + 400 = 115175$
$x$			
4000			
RG			
10000	8100	600	
$x$		<del>4000</del>	
5600		1000	

Green's Green Waste Collection Limited  
Statement of Cash Flows for the year ended 31 March 2015

	NZ\$000	NZ\$000	NZ\$000
① Cash from operations			
• Cash provided from:	<del>3500</del>		
Cash from customers	<del>6000</del>	4475	
Rent Received	975	<del>11500</del>	
Cash applied to:	<del>12000</del>		
• Cash to suppliers	<del>12000</del>		
Doubtful debts	100		
Interest	4000		
Bad debts	000	136075	
Other expense	115175	<del>12000</del>	(131600)
Net cash outflow for operations	4000		<del>(12000)</del>
② Cash from Investing			
• <del>Cash provided from</del> Cash applied to			
Decrease in property plant equipment	900	900	
Net cash outflow for Investing			(900)
③ Cash from Financing			
• Cash provided from			
Mortgage	3000	3100	
• <del>Cash applied to</del> Cash applied to			
Dividend	<del>1000</del>	<del>1000</del>	
Loan	200	15200	(12000)
Cash inflow for Financing			<del>(2000)</del>
Net cash Inflow			2100
• Opening bank balance			8000
Closing bank balance			1600



- (b) Explain, with detailed reasons, the cash figure you have entered for Other expenses in Green's Green Waste Collection Limited's Statement of Cash Flows for the year ended 31 March 2015.

Prepayments for other expenses in 2014 was \$800.  
 This means \$800 of other expenses have been paid. However prepayment for other expenses in 2015 was \$400 which is decreased. This tells \$400 ~~are not paid yet~~ are not paid yet. So we need add the at the end  
 So,  $113575 - 800 + 400 \Rightarrow 113175$   
 other expense

1/3/3

A3

## QUESTION THREE

Refer to **Resource B** in Resource Booklet 91406R.

- (a) Complete the Statement of Comprehensive Income for Antiques Online Limited for the year ended 31 March 2015. You are not required to prepare the Notes to this statement.

**Antiques Online Limited**  
 Statement of Comprehensive Income for the year ended 31 March 2015

	NZ\$	NZ\$
Revenue	586000	
Add other Income		397500
<del>Dividends Received</del>	1800	<del>1800</del>
<del>Less Cost of goods sold</del>	(190000)	<del>190000</del>
<del>Gross Profit</del>		396000
Less expenses		
Auditor's remuneration	3800	
Directors fees	28000	
Electricity	7400	
Other expenses	44950	
<del>Good will</del>	50000	
<del>Interest on Loan</del>	9625	
Salaries	72000	
Bad debt	(1160)	
Depreciation on building	7500	
Depreciation on equipment	4320	228135
Profit before tax		167865
less tax expense		2800
Profit after tax		165065
Add comprehensive income		
Increase in land	6800	
Increase in building	36500	
Increase in shares	5000	43500
Total profit		600365



- (b) The following totals were reported in *Antiques Online Limited*'s financial statements after the additional information was taken into consideration:

• Current assets	\$133 760
• Current liabilities	\$26 275
• Non-current assets	\$485 080
• Non-current liabilities	\$150 000

The company declared a dividend of 5 cents per share from 2015 profits at the Annual General Meeting on 25 June 2015.

Explain, using the totals above, how the directors of *Antiques Online Limited* satisfied either the Liquidity Test OR the Balance Sheet Test requirement of the Solvency Test when making the dividend declaration.

*[Handwritten scribble]*

ASSESSOR'S  
USE ONLY

A4

Extra space if required.  
Write the question number(s) if applicable.

QUESTION  
NUMBER

ASSESSOR'S  
USE ONLY



Achievement exemplar for 91406 2015			Total score	12
Q	Grade score	Annotation		
1	M5	This is an M5 because it shows minimal errors in the processing but did not understand the format of a Statement of Financial Position. The candidate was not able to explain how the contributed equity and retained earnings figures were calculated with sufficient evidence.		
2	A3	This is an A3 because it shows errors in the preparation of the Statement of Cashflows in terms of incorrect stems and foreign items but showed sufficient evidence for Achievement. The candidate was not able to explain in question 2 (b) why the \$800 prepayment is subtracted and the \$400 prepayment is added.		
3	A4	This is an A4 because it shows understanding in the preparation of the Statement of Comprehensive Income with a number of incorrect stems and foreign items. The candidate did not attempt question 3 (b) so was not able to gain any higher than an A4 in this question.		